



MSCI US LISTED BDC INDEX METHODOLOGY

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1 Introduction

The MSCI US Listed BDC Index (the ‘Index’)¹ aims to represent the performance of set of Business Development Companies (BDC). BDCs are US-registered publicly listed companies that generate income primarily from debt and equity investing in small and mid-sized businesses. The index methodology uses constraints on weights, market capitalization, and liquidity to maintain diversification and investability.

¹ The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. Please refer to Appendix I for more details.

2 Constructing the Index

The Index is constructed by selecting securities from the publicly traded equity universe based on the eligibility criteria defined in this section.

2.1 Eligible Universe

All securities that meet the eligibility criteria described below are included in the Eligible Universe.

2.1.1 BDC Screening

To be eligible for inclusion, a security must be registered as a Business Development Companies as specified in the U.S. Securities and Exchange Commission (SEC) filings.

2.1.2 Exchange Screening

BDCs listed on one of the following exchanges are eligible for inclusion in the Index:

1. NASDAQ – GLOBAL CAPITAL SELECT MARKET
2. NASDAQ GLOBAL MARKET
3. NASDAQ CAPITAL MARKET
4. NEW YORK STOCK EXCHANGE

2.1.3 Liquidity Screening

Securities that satisfy the following liquidity criteria are eligible for inclusion in the Index.

Component	Threshold
Float as measured by Foreign Inclusion Factor (FIF)	$\geq 10\%$
12 Months Float Adj. Annualized Traded Value Ratio ² (12-month ATVR)	$\geq 20\%$
3 Months Float Adj. Annualized Traded Value Ratio ³ (3-month ATVR)	$\geq 20\%$
3 Months Frequency of Trading ⁴ (FOT)	$\geq 90\%$

² Where 12-month ATVR data is unavailable, the 6-month ATVR shall be used. If 6-month data is also unavailable, the 3-month and subsequently the 1-month ATVR are used in descending order of precedence.

³ Where 3-month ATVR data is unavailable, 1-month ATVR is used.

⁴ Where 3-month FOT data is unavailable, 1-month FOT is used.

2.1.4 Size Screening

All BDCs identified in Section 2.1.1 are ranked in descending order of float adjusted market capitalization and the top securities resulting in the cumulative 99% float adjusted market capitalization coverage are selected (excluding the first security that results in exceeding the 99% cumulative float adjusted market capitalization coverage).

2.2 Security Weighting

Securities in the Index are weighted by their Free Float Adjusted Market Capitalization. To mitigate concentration, at each Index Review, security weight is capped at 20% in accordance with the MSCI Capped Indexes methodology⁵.

⁵ Please refer to the MSCI Capped Indexes methodology book at <https://www.msci.com/index/methodology/latest/Capped>

3 Maintaining the Index

3.1 Index Review

The Index is reviewed on a quarterly basis ('Index Review'), coinciding with the February, May, August and November index reviews of the MSCI Global Investable Market Indexes. The pro forma Index is in general announced nine business days before the effective date.

In general, MSCI uses ATVR and FOT data as of the end of the month preceding the rebalancing date of the Index Review.

3.1.1 Buffer Rule

To reduce the index turnover, the existing index constituents are not removed from the Index at the time of quarterly Index Review if they continue to satisfy the size and liquidity criteria as mentioned below, even if they do not satisfy the criteria set out in Sections 2.1.3 and 2.1.4:

Component	Threshold
Float (FIF)	$\geq 8\%$
12 Months Float Adj. ATVR ⁶	$\geq 16\%$
3 Months Float Adj. ATVR ⁷	$\geq 16\%$
3 Months FOT ⁸	$\geq 72\%$

In addition, an existing index constituent is not removed at a quarterly Index Review just because it is outside of the top 99% float adjusted market capitalization coverage unless it is no longer in the top 99.5% float adjusted market capitalization coverage.

3.2 Ongoing Event-Related Maintenance

The general treatment of corporate events in the Index aims to minimize turnover outside of Index Reviews. The methodology aims to appropriately represent an investor's participation in an event based on relevant deal terms and pre-event weighting of the index constituents that are involved.

⁶ Where 12-month ATVR data is unavailable, the 6-month ATVR shall be used. If 6-month data is also unavailable, the 3-month and subsequently the 1-month ATVR are used in descending order of precedence.

⁷ Where 3-month ATVR data is unavailable, 1-month ATVR is used.

⁸ Where 3-month FOT data is unavailable, 1-month FOT is used.

The following section briefly describes the treatment of common corporate events within the Index.

No new securities will be added (except where noted below) to the Index between Index Reviews.

EVENT TYPE	EVENT DETAILS
New additions	No new security will be added to the Index between Index Reviews.
Spin-Offs	All securities created as a result of the spin-off of an existing Index constituent, except Detached securities, will not be added to the Index at the time of event implementation. Reevaluation for addition in the Index will occur at the subsequent Index Review.
Merger/Acquisition	For Mergers and Acquisitions, the acquirer's post event weight will account for the proportionate amount of shares involved in deal consideration, while cash proceeds will be invested across the Index. If an existing Index constituent is acquired by a non-Index constituent, the existing constituent will be deleted from the Index and the acquiring non-constituent will not be added to the Index.
Changes in Security Characteristics	A security will continue to be an Index constituent if there are changes in characteristics (country, sector, size segment, etc.). Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

Further details and illustration regarding specific treatment of corporate events relevant to the Index can be found in the MSCI Corporate Events Methodology.

The MSCI Corporate Events methodology book is available at:
<https://www.msci.com/index-methodology>.

Appendix I: Methodology Set

The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document as mentioned below:

- Description of methodology set – www.msci.com/index/methodology/latest/ReadMe
- MSCI Corporate Events Methodology – www.msci.com/index/methodology/latest/CE
- MSCI Fundamental Data Methodology – www.msci.com/index/methodology/latest/FundData
- MSCI Index Calculation Methodology – www.msci.com/index/methodology/latest/IndexCalc
- MSCI Index Glossary of Terms – www.msci.com/index/methodology/latest/IndexGlossary
- MSCI Index Policies – www.msci.com/index/methodology/latest/IndexPolicy
- MSCI Global Industry Classification Standard (GICS) Methodology – www.msci.com/index/methodology/latest/GICS
- MSCI Global Investable Market Indexes Methodology – www.msci.com/index/methodology/latest/GIMI
- MSCI Capped Indexes Methodology – www.msci.com/index/methodology/latest/Capped

The Methodology Set for the Index can also be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

Contact Us

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